county government has defaulted on its obligations, is at risk of defaulting, or is likely to default, absent such assistance from the United States Government. Notwithstanding any other provision of law, no Federal funds may be used to pay the obligations of any State, or to issue a line of credit to any State.

Mr. GREGG. Mr. President, this amendment is pretty simple. It says American taxpayers should not be put on the hook for States which have been profligate. It says, specifically, that: Federal funds cannot be used to purchase obligations of States or local communities that are in default or are about to default, unless those States have gone through some sort of crisis such as the Katrina situation.

But if the default that the State or local community is about to experience is the function of their failure to discipline their fiscal house, then we are not going to ask the taxpayers across this country to support that error in judgment and that misguided fiscal policy of that State or that local government.

If we do not have this type of rule in play, basically we will be setting up a situation where the American people will become the guarantor of inappropriate actions across this country by legislators and city governments. You will have this untoward situation where you will basically create an atmosphere that there is an incentive for State governments and local communities to not be fiscally responsible.

It is this moral hazard issue. We debated it at considerable length when we discussed too big to fail in the banking system. This bill has a lot of issues, as far as I am concerned, but one of the things it actually handles reasonably well is the issue of too big to fail. It does need some adjustment. But it basically handles that issue pretty well.

We have designed language in this bill between Senator DODD and Senator SHELBY, which essentially says: No longer will the American taxpayer be presumed or in any way expected or have any obligation at all to support a financial institution which has gotten too large and has taken on too many risky decisions and is therefore in fiscal distress. That institution will fail. Its stockholders will be wiped out. Unsecured bondholders will be wiped out and the American taxpayer will not come in and defend that situation.

Too big to fail ends with this bill, hopefully. But it should apply also to States and local governments. We should not create the moral hazard of having taxpayers in New Hampshire or taxpayers in Nebraska or taxpayers in New Mexico responsible for profligate activity in other States.

In fact, many of our States, of course, have balanced budget requirements. In fact, in Nebraska, they do not even allow any debt, period. They have a constitutional amendment that says, there can be no debt. So they are extremely disciplined, these States, in the way they handle their budgets.

The taxpayers and the citizens of those States expect their leaders to be disciplined. So how can we ask those taxpayers and those citizens in those States that have been disciplined, who have elected people who are willing to live within their means as they govern, whether it is at the community level or at the State level, how can we ask those citizens across this country to go in and bail out other States and our communities that have been totally undisciplined in managing their fiscal house and have put themselves at huge distress and have defaulted on their debt or are about to default on their debt?

This is not acceptable. If we are going to have a bill which addresses the issue of too big to fail, it should apply to this type of a situation. So I have offered this amendment. It is very simple, as I said. It prohibits Federal funds from being used to purchase or guarantee obligations of States and local communities that are in default or about to go into default.

It is a pretty strict standard, pretty clear. If you have a State that for reasons of its own making has created a fiscal mess of inordinate proportions and cannot pay its debt, it cannot come to Washington and say: We want you to bail us out.

That is not right. That is not appropriate. So this bill bans that sort of an event from occurring. Why do we need to do this? It is pretty obvious. There are a couple States in this country that have been irresponsible in their spending, that have not disciplined themselves, and that, I think, are expecting everybody else in this country to bail them out.

I sure do not want to be part that. I do not want my taxpayers in New Hampshire to be part of that. It is not fair that they should be part of that. Those States are going to have to figure out how to straighten out their own fiscal house. They should have to do that within the terms of their own spending streams and their own revenue streams.

They should not expect the Federal Government to come in and take them out of their distress, which was self-imposed and self-created. There is an exception in this bill. There is this language so that if a State is put into severe distress because of an emergency situation, such as a Katrina-type situation, this would not apply. Obviously, it should not apply then.

If it is a self-imposed event, simply resulting from the human nature of legislators and city councils to sometimes spend a heck of a lot more money than they have and that they can take in under their structure, they should have to pay for it and figure out how to deal with it themselves. They should not pass that problem on to the American people by financing it through Washington. It is consistent with the theme of this bill that there should be nothing that is too big to fail in this country, including State governments and local governments or financial institutions. I hope my colleagues will support the amendment.

I reserve the remainder of my time and yield the floor.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. BURRIS. Mr. President, as I take the floor today, my colleagues and I are caught up in a momentous debate over the shape of our Wall Street reform bill.

This legislation will not only help secure America's continuing economic recovery, it will also help prevent this kind of economic crisis from happening again in the future.

It would create commonsense regulations designed to keep major institutions from gambling with America's economic stability, and it would extend a helping hand to the underserved populations that are currently suffering the most especially minority individuals and the elderly.

I believe when the history of this economic crisis is written, we will judge that its most damaging legacy was the harm it did to people's savings and investments.

It wiped out stock portfolios and 401(K)s. It forced many fixed-income retirees to go back to work, and it undermined the hard-earned retirement security of an entire generation of Americans. So it is time to take action.

We need to do everything we can to protect people's savings, investments, and retirement security.

In a broad sense, this means limiting the risk that big firms can pose to the economy as a whole, and shoring up our overall financial stability. But it also means we need to guard against fraud and abuse.

We need to prevent scam artists and people like Bernie Madoff from taking advantage of hard-working Americans, so folks can breathe a bit easier, so people know that their money is safe.

Today, many Americans—including 39 percent of minority households—invest in the financial markets.

Most of these folks expect their portfolio to be there for them when they retire.

But when big companies sell risky investment packages, and then bet against those investments—when companies have no incentive to be honest about high-risk opportunities—regular folks are bound to get the short end of the stick.

That is why we need to institute basic rules of the road—to cut down on fraud and misrepresentation, and make sure financial institutions are operating fairly.

That is why our Wall Street reform bill includes a number of key protections for American investors.

Our legislation would create a new program at the Securities and Exchange Commission which would mandate an annual assessment of all internal supervisory controls, and encourage folks to report violations.